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IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF OREGON

In re:	)	Bankruptcy Case No.'s
WARNKE-LOMBARD, LLC, and	)	12-36176-tmb11 **LEAD CASE** 12-36177-rld11
WARNKE-MCDONALD, LLC,	)	Jointly Administered Under 12-36176-tmb11
Debtors.	)	**DEBTORS' WARNKE-LOMBARD, LLC & WARNKE-MCDONALD, LLC'S STATEMENT IN ADVANCE OF CASE MANAGEMENT CONFERENCE**

Pursuant to this Court's Order Stetting Case Management Conference, the Debtors' provide the following information to assist in expediting discussion of this Chapter 11 case and the projected issues that will need to be addressed:

1. Motion's for Extension of Time to Assume or Reject Leases. Debtors' co-own real property known as the Royal Ascot

Apartments, which is an eleven (11) building, ninety-two (92) unit apartment complex located in Clackamas County Oregon. All of the apartment leases will be assumed by the Debtors'. There will be no leases rejected.

2. Motions for Relief from Stay. There are currently no Motions for Relief from Stay in this case. Debtors do not contemplate any.

3. Adequate Protection. The Debtors' will begin making Adequate Protection Payments by September 11, 2012 on the three (3) loans secured by the property. The first payment in September will be principal and interest only. The payments will increase beginning October 2012 to include real property taxes.

4. Operation of Debtors' Business. The Debtors' business is apartment rentals. The Debtors' will continue to operate the business during the bankruptcy. The business will be managed by the Debtors' management company, Western Territories. An Application to Employ Debtors' management company has been filed.

5. A Preview of Chapter 11 Plan. The Debtors' intend to propose a Plan that will be funded from ongoing business operations. The duration of the Plan will likely be six (6) years. The Debtors' will repay unsecured creditors 100% in the first sixty (60) months of the Plan. It is our intent to file a Disclosure Statement

within the exclusivity period and do not intend to shorten such period.

6. This case is currently not a small business Chapter 11. Feasibility. Debtors' believe that a reasonable likelihood of a successful Chapter 11 workout exists. Debtors' have sufficient cash flow from the operation of their business to fund the Plan.

7. Application of Employment of Professionals. Debtors' have filed an Application of Employment for the Debtors' counsel. This is pending before the Court. Debtors' have also filed an application for employment for an accountant to assist the Debtors' in meeting their Financial Report obligations and in preparing tax returns. The Debtors' also have an application to employ the Debtors' management company, Western Territories Property.

8. Pre-Petition Tax Returns. The Debtors' have filed all pre-petition tax returns.

Attached and incorporated herein by this reference are the following:

(i) Exhibit 1 – Cash Flow Analysis for the 120 day post filing period

(ii) Exhibit 2 – Historical Financial information for the preceding three (3) years and the year to date;

(iii) Exhibit 3 – Statement of Income & Expenses for the period from the date of filing to September 4, 2012.

(iv) Exhibit 4 – Budget of professional fees incurred to date and anticipated to be incurred in the coming months before the Plan confirmation.

Respectfully Submitted:

/s/ Ted A. Troutman
Ted A. Troutman, OSB#844470
Attorney for Debtor-In-Possession

Combined 120 Day Cash Flow Analysis

Royal Ascot Apartments – Warnke-Lombard LLC and Warnke-McDonald LLC

	9/1/12 -9/7/12	9/8/12-9/14/12	9/15/12-9/21/12	9/22/12-9/28/12	9/29/12-10/5/12
Beginning Cash	$5,470.00				
Income	$10,000.00	$41,814.00	$10,000.00	$7,876.00	$25,000.00
Property Management (Western Territory)	$4,000.00				$9,000.00
Property Maintenance	$3,100.00				
Sewer & Street Maintenance	$3,915.00				$3,915.00
Bank of America		$9,230.00			
Bank of America		$9,211.00			
Bank of America		$12,207.00			
Landscaping	$2,495.00				$2,000.00
Water			$505.00		$505.00
Electricity			$2,495.00		$2,495.00
Advertising			$570.00		$570.00
Credit Checks			$205.00		$205.00
Telephone & Internet				$365.00	
Appliance Maintenance				$431.00	
Carpet Cleaning & Repair				$2,900.00	
Mini Blind Replacement/Repair/Windows				$160.00	
Compactor & Recycling Maintenance				$164.00	
Pest Control				$191.00	
Tree Removal				$3,960.00	
Bookkeeping (PC Accounting)					
Supplies				$5,000.00	
Plumbing				$150.00	
FED's				$500.00	
Insurance					$1,515.00
Canby Disposal					$1,417.00
HD Facilities					$1,433.00
Trustee Fee					
Ending Cash (Income – Expenses) =	$1,960.00	$13,126.00	$19,351.00	$13,406.00	$15,351.00

Combined 120 Day Cash Flow Analysis

	10/6/12-1012/12	10/13/12-1019/12	10/20/12-10/26/12	10/27/12-11/2/12	11/3/12-11/9/12
Income	$25,000.00	$10,000.00	$9,690.00	$10,000.00	$35,000.00
Property Management (Western Territory)				$9,000.00	
Property Maintenance					
Sewer & Street Maintenance				$3,915.00	
Bank of America	$12,250.00				
Bank of America	$12,231.00				
Bank of America	$15,559.00				
Landscaping					$1,450.00
Water					$505.00
Electricity					$2,000.00
Advertising					$570.00
Credit Checks					$205.00
Telephone & Internet		$365.00			$365.00
Appliance Maintenance		$431.00			$431.00
Carpet Cleaning & Repair		$1,900.00			$1,900.00
Mini Blind Replacement/Repair/Windows		$160.00			$160.00
Compactor & Recycling Maintenance		$164.00			$164.00
Pest Control		$191.00			$191.00
Tree Removal					
Bookkeeping (PC Accounting)				$500.00	
Supplies		$3,000.00			
Plumbing		$150.00			
FED's		$500.00			
Insurance		$1,515.00			
Canby Disposal				$1,417.00	
HD Facilities				$1,433.00	
Trustee Fee		$975.00			
Ending Cash (Income – Expenses) =	$311.00	$960.00	$10,650.00	$4,385.00	$28,594.00

Combined 120 Day Cash Flow Analysis

	11/10/12-11/16/12	11/17/12-11/23/12	11/24/12-11/30/12	12/1/12-12/7/12	12/8/12-12/14/12
Income	$10,000.00	$6,000.00	$8,690.00	$20,000.00	$35,000.00
Property Management (Western Territory)				$9,000.00	
Property Maintenance					
Sewer & Street Maintenance				$3,915.00	
Bank of America	$12,250.00				$12,250.00
Bank of America	$12,231.00				$12,231.00
Bank of America	$15,559.00				$15,559.00
Landscaping				$1,450.00	
Water				$505.00	
Electricity				$2,000.00	
Advertising				$570.00	
Credit Checks				$205.00	
Telephone & Internet					
Appliance Maintenance					
Carpet Cleaning & Repair					
Mini Blind Replacement/Repair/Windows					
Compactor & Recycling Maintenance					
Pest Control					
Tree Removal					
Bookkeeping (PC Accounting)		$500.00			
Supplies			$3,000.00		
Plumbing			$150.00		
FED's			$500.00		
Insurance			$1,515.00		
Canby Disposal			$1,417.00		
HD Facilities			$1,433.00		
Trustee Fee					
Ending Cash (Income – Expenses) =	-$1,446.00	$4,054.00	$4,729.00	$7,084.00	$2,044.00

Combined 120 Day Cash Flow Analysis

	12/15/12-12/21/12	12/22/12-12/28/12	12/29/12-1/4/13
Income	$10,000.00	$4,690.00	$10,000.00
Property Management (Western Territory)			$9,000.00
Property Maintenance			
Sewer & Street Maintenance			$3,915.00
Bank of America			
Bank of America			
Bank of America			
Landscaping			$1,450.00
Water			$505.00
Electricity			$2,000.00
Advertising			$570.00
Credit Checks			$205.00
Telephone & Internet	$365.00		
Appliance Maintenance	$431.00		
Carpet Cleaning & Repair	$1,900.00		
Mini Blind Replacement/Repair/Windows	$160.00		
Compactor & Recycling Maintenance	$164.00		
Pest Control	$191.00		
Tree Removal			
Bookkeeping (PC Accounting)	$500.00		
Supplies	$3,000.00		
Plumbing	$150.00		
FED's	$500.00		
Insurance	$1,515.00		
Canby Disposal	$1,417.00		
HD Facilities	$1,433.00		
Trustee Fee			
Ending Cash (Income – Expenses) =	$318.00	$5,008.00	-$2,637.00

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EXHIBIT 2

Historical Financial Information

Summary of Gross Income from the Royal Ascot Apartments

2011 – Income: $821,503.00 Expenses: $817,319.00
2010 – Income: $756,482.00 Expenses: $720,016.00
2009 – Income: $763,404.00 Expenses: $740,720.00

The Debtors' have expended significant money in re-siding Phases I and II of the apartment complex (8 buildings). Phases I and II had L.P. siding that had to be removed with significant dry rot repair and replacement of the siding with HardiPlank. Debtors' have expended approximately $1,429,456 in repairs since 2007. The Debtors' also suffered an embezzlement in 2011 wherein the on-site property manager embezzled more than $100,000. There was a $5,000 insurance recovery. Criminal charges are pending against the embezzler.

EXHIBIT 3

Profit and Loss Statement for Date of Filing through September 3, 2012

The Debtors' have received $13,045 from the date of filing through September 3, 2012 as income on the 92 units. The Debtors' have paid out the following expenses through September 3, 2012

Canby Disposal: $1,417.50
Prematic Service (Farmers' Insurance): $1,515.39
HD Facility Maintenance: $1,433.62
Commercial Services: $485.00
JC Carpet Cleaning: $785.00
Business Products (Checks(US Bank)): $17.74

Debtors' expect to pay the remaining bills for the operation of the apartment complex, including a property management fee of $4,000, property maintenance of$3,100 and various other bills as set forth on the 120-day cash flow analysis (Exhibit 1). Included in the payments will be the adequate protection payments to Bank of America on the three (3) secured loans.

EXHIBIT 4

Budget of Professional Fees

Attorneys. Debtors’ do not expect to pay any additional attorney fees prior to confirmation. Debtors’ paid their attorneys, Muir & Troutman, a retainer prior to filing of $18,000. $9,000 was credited for each Debtor. After payment of $15,908 ($7,954 from each Debtor) earned on the filing date, filing fees of $1,046 for each of the Debtors’, the Debtors’ attorney holds a trust retainer of $0.

Accountant. Debtors’ have filed an Application to Employ Penny Barretto. The Debtors’ anticipate that no more than $2,000 will be paid to the accountant for her services in the next 120 days.

Property Management. The Debtors’ have also filed an Application to Employ the property management company, Western Territory Properties Realty, LTD. The Debtors’ will pay the management company $4,000 in September 2012. The Debtors’ propose to pay the management company $9,000 per month beginning October 2012, and every month thereafter. The $9,000 would be paid to Western Territory Properties Realty, LTD and distributed as follows:

Don & Sally Warnke: $4,000
On-Site Property Manager: $1,600
On-Site Maintenance Manger: $1,600
Off-Site Maintenance Manger: $1,500
Weekend Manager: $300

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FOR THE DISTRICT OF OREGON

In Re	)
	)
Warnke-Lombard, LLC,	) Case No. 12-36176-tmb11 **LEAD CASE**
&	)
Warnke-McDonald, LLC	) Case No. 12-36177-tmb11
	)
	) **CERTIFICATE OF SERVICE**
	)

I, Lisette Barajas, Declare as follow:

I certify that on **September 5, 2012**, I served, by **first class mail**, a full and true copy of the foregoing **Debtors' Warnke-Lombard, LLC & Warnke-McDonald, LLC's Statement in Advance of Case Management Conference and Certificate of Service** on the following by causing a copy thereof to be placed in a sealed envelope, postage prepaid, addressed as shown below, in the U.S. Mail at Beaverton, Oregon on the date indicated below:

Warnke-Lombard, LLC
Warnke-McDonald, LLC
POB 2557
Clackamas OR 97015

I certify that on **September 5, 2012** a full and true copy of the foregoing **Debtors' Warnke-Lombard, LLC & Warnke-McDonald, LLC's Statement in Advance of Case Management Conference and Certificate of Service** was serviced on the following recipients electronically via the ECF Bankruptcy Noticing Center:

- WENDELL G KUSNERUS wendellkusnerus@dwt.com, lizcarter@dwt.com
- DANIEL P PEPPLE dpepple@pcslegal.com, danderson@pcslegal.com;jsteinert@pcslegal.com;jhawkinson@pcslegal.com
- JACKSON SCHMIDT jschmidt@pcslegal.com, danderson@pcslegal.com;jsteinert@pcslegal.com

- TED A TROUTMAN tedtroutman@gmail.com, rusty@muir-troutman.com
- US Trustee, Portland USTPRegion18.PL.ECF@usdoj.gov

Dated: **September 5, 2012**

/s/ Lisette Barajas
Lisette Barajas, Legal Assistant to
Ted A. Troutman